



Department of Justice

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ICAP PLC AND BROKERTEC LLC RESTRUCTURE DEAL AFTER JUSTICE DEPARTMENT RAISES ANTITRUST OBJECTIONS

Restructured Deal Preserves Competition in Interdealer Broker Markets

WASHINGTON, D.C. – In response to antitrust objections raised by the Department of Justice, ICAP plc and BrokerTec LLC—two of the world’s largest interdealer brokers--restructured their planned acquisition to alter Revenue Commission Agreements (RCAs) and other terms entered into by BrokerTec’s institutional shareholders in connection with the deal. The Department said the transaction as originally proposed would have reduced competition for interdealer brokerage services in the trading of U.S. Treasury and agency securities.

ICAP and BrokerTec are two of a small number of companies providing interdealer brokerage services for U.S. Treasury and Agency securities. Interdealer brokers serve as conduits between dealers of Treasury and agency securities in the secondary market for these instruments. Interdealer brokers facilitate trading in a way that allows dealers to hedge risks and adjust their inventory positions more quickly, efficiently, and at lower prices, than other trading venues.

“The restructuring of the RCAs will permit other interdealer brokers to compete for the business of the BrokerTec shareholders and will preserve for all dealers adequate choices for their interdealer brokerage needs,” said R. Hewitt Pate, Acting Assistant Attorney General in charge of the Department’s Antitrust Division.

As originally structured, BrokerTec's institutional shareholders agreed to enter into RCAs that would have obligated BrokerTec's shareholders to pay at least \$61.3 million annually for three years in essentially pre-paid commissions. The RCAs also included: (1) a maximum cap on commissions of \$97.6 million, which BrokerTec's shareholders could extend for up to five years; (2) a non-compete provision that prevented any group of three or more BrokerTec shareholders from taking an equity interest in a new electronic trading platform that anonymously matched agencies, Treasuries, and certain other fixed income securities for three years; and (3) a most-favored-nation clause requiring ICAP to offer BrokerTec's shareholders the lowest per-unit commission cost available to any ICAP customer. In addition, BrokerTec's shareholders were given the right to appoint one member to ICAP's Board of Directors.

As a result of the Antitrust Division's objections, the RCAs have been revised so that Treasury bills, off-the-run Treasury coupons, and agency securities were removed entirely from the RCAs. The minimum RCA commitment has been reduced to \$40.6 million, and the maximum cap on commissions has been reduced to \$71.5 million. Furthermore, with respect to the remaining products covered by the RCAs, the term of the RCAs has been limited to three years. The revised RCAs also eliminate the non-compete and most-favored-nation provisions. Finally, BrokerTec's shareholders will not be able to appoint an ICAP Board member.

ICAP plc, headquartered in London, England, is the largest interdealer broker in the world, with revenues of \$753 million and a net income of \$74.7 million in 2001. ICAP brokers more than \$300 billion in financial instruments daily.

BrokerTec Global LLC, headquartered in Jersey City, New Jersey, is one of the largest interdealer brokers in the United States. BrokerTec brokers \$125 billion in financial instruments

daily. BrokerTec has 14 institutional shareholders: ABN AMRO Bank NV, Barclays Bank Plc, Banco Santander Central Hispano, S.A., Credit Suisse First Boston Corporation, Deutsche Bank AG, Dresdner Bank AG, Goldman Sachs Group, Inc., RBC Greenwich Capital Markets, Inc., JP Morgan Chase & Co., Lehman Brothers, Merrill Lynch & Co. Inc., Morgan Stanley, Salomon Smith Barney, Inc., and UBS Warburg Ltd.

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